BOOK REVIEWS AND NOTICES

Business Cycles. By WESLEY CLAIR MITCHELL. Berkeley, Cal.: University of California Press, 1913. 4to, pp. xviii+610. $5.00.

Readers of the *Journal of Political Economy* have doubtless long since become well acquainted with this important work. In this much-belated review I shall therefore limit myself to a discussion of the nature and extent of the very considerable addition which it makes to our understanding of the business cycle.

Somewhat more than half the volume is devoted to the presentation of statistical data relating to business cycles between 1890 and 1910, in the United States, England, France, and Germany. An imposing mass of statistical material on the prices of commodities, labor, securities, and loans, on the volume of trade, and on banking operations in these countries is brought together and made available for comparison by means of index numbers. No sources of information on these subjects have been overlooked, so far as I am aware, with the exception of the five abstracts of the condition of the national banks published in pamphlet form by the Comptroller of the Currency. Professor Mitchell has used only the single abstract for each year which appears in the annual reports of that official.

In the construction of his index numbers Professor Mitchell has taken the period 1890–1900 as a basis. A shifting base would perhaps have yielded slightly more exact results, but it is doubtful whether the gain would have been sufficient to warrant the additional labor involved. A more serious matter is the use of the calendar year in the measurement of changes in business conditions. When the investigator is concerned with broad general tendencies over a long period of time, annual figures serve the purpose. But, in the case of the business cycle, it is a series of changes which follow one another in rather quick succession that are to be measured. Here figures showing changes by months would seem to be required. The statistical data as presented, for example, do not show in comparable fashion the effects of the crisis in 1893, which began in the spring, and that of 1907, which began in the early autumn. They are still less serviceable for the determination of the relative severity of the business reactions which followed these crises.

For those particular aspects of the business cycle, however, which are subjected to detailed analysis by Professor Mitchell, the method of presenting the statistical data which he has adopted seems to be entirely adequate. He does not much concern himself with the quantitative analysis of business cycles. Differences in degree and duration are held to be of minor significance. He is rather seeking to discover and determine the causes of uniformities among business cycles. That all business cycles have features in common, the statistical data as presented afford ample proof, and it is not probable that on these aspects of the business cycle monthly figures would have yielded important additional information.

Nearly a third of Professor Mitchell's treatise is devoted to an analytical explanation of the uniformities among business cycles. During each business cycle there are decided but uneven fluctuations in the prices of particular commodities and kinds of labor, marked variations in the physical volume of trade, in rates for loans, in the yield of securities, and in the efficiency of labor. As a consequence of all of these variations there are wide fluctuations in money costs of production and in business profits. All these variations, it is argued, are an inevitable consequence of the existing organization of economic activities upon a pecuniary basis, in which the principal directing influence is exercised by business men in the quest of profits. During a period of prosperity, for example, industry becomes subject to numerous stresses and strains of increasing intensity owing to the business undertakings which are occasioned by, and which in turn occasion, the various fluctuations mentioned above. Finally, a reaction becomes inevitable, and during the subsequent period of depression changes in the opposite direction pave the way for another period of activity for the beginning of a new cycle.

It is not possible, within the limits of a review, to give any adequate idea of the clearness and convincingness of this brilliant example of economic analysis. But precisely because the analysis is so convincing and well documented, there is a danger that the reader may draw the conclusion that a complete analysis of the business cycle has been accomplished. To the reviewer, at any rate, it would seem clear that only a part of the complex phenomena of the business cycle has been explained. The uniformities among business cycles arising out of the organization of industry upon a pecuniary basis have to do with factors which by themselves would occasion merely slight temporary oscillations in the condition of trade. A short period of depression is sufficient to correct

maladjustments directly due to such factors as tension in the money markets, the uneven movement of prices, and the inefficiency of labor which develops during a period of superabundant employment. The difference in duration and intensity of the depression following the crisis of 1873, compared with that accompanying the reaction in 1903, is not explained by differences in price movements or other distinctly pecuniary matters. It is noteworthy in this connection that Professor Mitchell distinguishes four complete cycles in the United States between 1890 and 1910, a period during which, if pronounced changes only are taken into account, there were not quite two complete cycles.

For the quantitative analysis of business cycles, it is necessary to dig beneath the pecuniary surface of economic activities. The general character of the agriculture, industry, and commerce of a country, and the particular undertakings which are in process of most rapid development during the period of expansion must be treated in order to understand the business cycles. Variations in prices and interest rates, as well as other financial developments, will manifest the same general characteristics in all cycles, but even here the extent of such fluctuations will be largely determined by the opportunities for development in agriculture, industry, and commerce.

In conclusion let me repeat that although much still remains to be done in the field of the business cycle, the very great value of Professor Mitchell's contribution to our knowledge of the subject can hardly be overestimated. On the pecuniary side he has laid a broad foundation of fact, presented in comparable form, coupled with an adequate analysis. Other aspects of business cycles require equally comprehensive collection and analysis of material, and it is much to be hoped that future investigators in this field will follow Professor Mitchell's example, avoiding the all too frequent error of assuming that a high degree of correlation between two or more kinds of phenomena affords an explanation of any of the complicated problems of the business cycle.

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Law and Order in Industry: Five Years' Experience. By Julius Henry Cohen. New York: Macmillan, 1916. $1.50.

Cohen's object is to establish collective bargaining on a sound and lasting basis. He, of course, is suspicious of the platitude that collective bargaining is a good thing and that therefore employers should be required to accept it (p. xvii). They do accept it, he rightly says, "in